

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name DISTRICT HEALTH DEPARTMENT NO. 10	County MISSAUKE
Audit Date 9/30/05	Opinion Date 11/29/05	Date Accountant Report Submitted to State: 3/31/06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).	✓		

Certified Public Accountant (Firm Name) LAYTON AND RICHARDSON, P.C.			
Street Address 1000 COOLIDGE ROAD		City EAST LANSING	State MI
Accountant Signature <i>Robert R. Crutch, CPA</i>		ZIP 48433	Date 3/31/06

DISTRICT HEALTH DEPARTMENT NO. 10
WHITE CLOUD, MICHIGAN
FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2005
AND
INDEPENDENT AUDITORS' REPORT



Layton & Richardson, P.C.
Certified Public Accountants

CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	1-2
MANAGEMENT DISCUSSION AND ANALYSIS	3-6
COMPONENT UNIT FINANCIAL STATEMENTS	
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUNDS BALANCE SHEET	8
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS	9
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL DISTRICT FUND	10
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES GOVERNMENTAL FUNDS	11
NOTES TO FINANCIAL STATEMENTS	13-20
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL DISTRICT FUND	22
SUPPLEMENTARY INFORMATION	
COMBINING STATEMENT OF REVENUES AND EXPENDITURES BY PROGRAM	24-31
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <u>GOVERNMENT AUDITING STANDARDS</u>	33
LETTER OF COMMENTS AND RECOMMENDATIONS	35
ACCOUNTING MEMORANDUM	36



Layton & Richardson, P.C.

Certified Public Accountants

1000 Coolidge Road
East Lansing, MI 48823

(517) 332-1900
(517) 332-2082 fax
Info@LNRCPA.com

Merrick A. Richardson, CPA
Principal
Rick@LNRCPA.com

Vickie L. Crouch, CPA, CGFM
Principal
Vickie@LNRCPA.com

Stephen D. Plumb, JD, CPA
Principal
Steve@LNRCPA.COM

David Layton, CPA
DaveLayton@LNRCPA.com

INDEPENDENT AUDITORS' REPORT

To the Board of Health
District Health Department No. 10
White Cloud, Michigan

We have audited the accompanying basic financial statements of the governmental activities of DISTRICT HEALTH DEPARTMENT NO. 10 as of and for the year ended September 30, 2005. These financial statements are the responsibility of the Health Department's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of District Health Department No. 10, as of September 30, 2005, and the results of its operations for the year then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2005, on our consideration of District Health Department No. 10's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents on pages 3 through 5 and page 22 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standard Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise District Health Department No. 10's basic financial statements. The introductory section and supplementary section are presented for purposes of additional analysis and are not required part of the basic financial statements. We have issued, in a separate report dated November 29, 2005, a schedule of expenditures of federal awards for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and it is also not a required part of the basic financial statements of District Health Department No. 10. The supplemental financial information and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the basic financial statements taken as a whole. The introductory section, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion on it.


Certified Public Accountants

November 29, 2005
East Lansing, Michigan

**District Health Department #10
Management Discussion and Analysis
September 30, 2005**

Financial Highlights

- In all material regards, District Health Department #10 ended the fiscal year in better financial position than it started the year.
- Total revenues for governmental activities totaled \$11,941,858
- Total expenses for governmental activities totaled \$11,887,546
- General Fund added \$54,312 to fund balance. Year end fund balance for the General Fund was \$628,998.

Overview of Financial Statements

- This discussion and analysis are intended to serve as an introduction to District Health Department #10's basic financial statements. District Health Department #10's basic financial statements comprise three components: 1) government-wide financial statements, 2) notes to the financial statements, and 3) combining statement of revenues and expenditures by program. This report also contains other supplementary information in addition to the basic financial statements themselves.
- The financial statements provide a Statement of Net Assets and Governmental Funds Balance Sheet, and a Statement of Revenues, Expenditures and Changes in Fund Balance.
 - The Statement of Net Assets provides information on assets, liabilities and fund balance. A trend of increasing net assets is viewed as a sign of improving condition.
 - The Statement of Revenues, Expenditures and Changes in Fund Balance provides information program revenues, general revenues and expenditures. The difference between the revenues and the expenditures result in changes in net assets.
- **Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of District Health Department #10's finances, in a manner similar to a private-sector business.

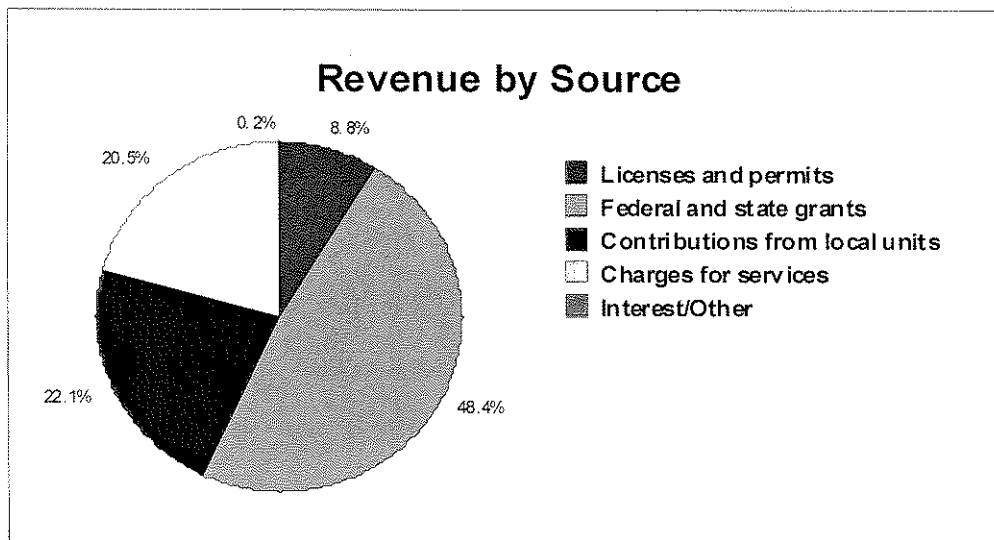
The statement of net assets presents information on all of District Health Department #10's assets and liabilities, with the differences between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of District Health Department is improving or deteriorating.

District Health Department #10 adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning District Health Department #10's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information is contained in this report.

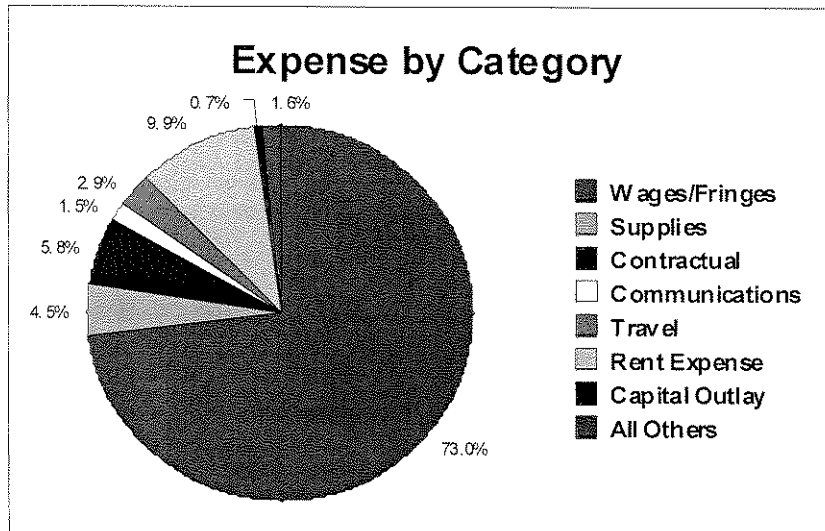
Revenue Sources and changes

Total revenues from all sources totaled \$11.9 million of which \$5.7 million was from federal and state grants, \$2.6 million from contributions from local units and \$2.45 million from charges for services.



Expenditure Overview

Total expenditures totaled \$11.88 million of which \$8.68 million was for wages and fringe benefits. This represents 73% of the total budget.



The following is a condensed summary of financial information for the years ended September 30, 2005 and 2004, respectively.

Condensed Financial Information

Category	2005	2004
Total Assets	1,349,893	1,712,135
Total Liabilities	720,895	1,137,449
Total Net Assets	628,998	574,686
Operating Revenues	11,916,776	11,797,870
Operating Expenses	11,887,546	11,793,339
Non-operating Revenue	25,082	16,512
Change in Net Assets	54,312	21,043
Ending Net Assets	628,998	574,686

Requests for Information

This financial report is designed to provide a general overview of District Health Department #10's finances for all those with an interest in the government's finances.

Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Office of the Administrative Services Director, District Health Department #10, 1049 Newell, P.O. Box 850, White Cloud, MI 49349.

COMPONENT UNIT FINANCIAL STATEMENTS

DISTRICT HEALTH DEPARTMENT NO. 10
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUNDS
BALANCE SHEET
SEPTEMBER 30, 2005

	SPECIAL REVENUE DISTRICT FUND	ADJUSTMENTS	STATEMENT OF NET ASSETS
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 680,761	\$	\$ 680,761
Accounts receivable			
Other (net of allowance of \$8,000)	105,471		105,471
Due from federal and state governments	424,132		424,132
Due from other units	12,195		12,195
Prepaid expense	127,334		127,334
Capital assets		401,124	401,124
	<u> </u>	<u> </u>	<u> </u>
TOTAL CURRENT ASSETS	\$ <u>1,349,893</u>	\$ <u>401,124</u>	\$ <u>1,751,017</u>
LIABILITIES, EQUITY AND OTHER CREDITS			
LIABILITIES			
Accounts payable	\$ 236,014	\$	\$ 236,014
Accrued expenses	303,917		303,917
Deferred revenue	180,964		180,964
Long-term liabilities			
Accrued sick and vacation		439,004	439,004
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	720,895	439,004	1,159,899
EQUITY AND OTHER CREDITS			
Invested in capital assets, net of related debt		401,124	401,124
Fund Balance			
Unreserved, undesignated	628,998	(439,004)	189,994
	<u> </u>	<u> </u>	<u> </u>
TOTAL EQUITY AND OTHER CREDITS	628,998	(37,880)	591,118
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES, EQUITY AND OTHER CREDITS	\$ <u>1,349,893</u>	\$ <u>401,124</u>	\$ <u>1,751,017</u>

See accompanying notes to financial statements.

DISTRICT HEALTH DEPARTMENT NO. 10
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2005

Total fund balances-governmental funds	\$ 628,998
Amounts reported for governmental activities in the statement of net assets are are different because capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$784,025 and the accumulated depreciation is \$382,901.	401,124
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:	
Accrued sick and vacation	<u>(439,004)</u>
Total net assets-governmental activities	<u>\$ 591,118</u>

DISTRICT HEALTH DEPARTMENT NO. 10
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
DISTRICT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	SPECIAL REVENUE DISTRICT FUND	ADJUSTMENTS	STATEMENT OF ACTIVITIES
EXPENDITURES/EXPENSES			
Salaries, wages and fringe benefits	\$ 8,682,465	\$ (1,801)	\$ 8,680,664
Board of Health	27,116		27,116
Office supplies and expenses	537,273	1,550	538,823
Contractual services	685,328		685,328
Communications	174,134	(13,920)	160,214
Travel	347,180		347,180
Insurance and bonds	113,278		113,278
Maintenance and repairs	33,381		33,381
Rent expense	1,181,183		1,181,183
Educational training	18,621		18,621
Depreciation		84,772	84,772
Capital outlay	87,587	(87,587)	
	<u>11,887,546</u>	<u>(16,986)</u>	<u>11,870,560</u>
PROGRAM REVENUES			
Operating grants	5,777,208		5,777,208
Contributions from local units	2,640,859		2,640,859
Licenses and permits	1,045,963		1,045,963
Charges for services	2,452,746		2,452,746
	<u>11,916,776</u>		<u>11,916,776</u>
Net program expense	<u>29,230</u>	<u>16,986</u>	<u>46,216</u>
GENERAL REVENUES			
Interest	6,559		6,559
Miscellaneous	18,523		18,523
	<u>25,082</u>		<u>25,082</u>
CHANGES IN NET ASSETS	54,312	16,986	71,298
FUND BALANCE, OCTOBER 1	<u>574,686</u>	<u>(54,866)</u>	<u>519,820</u>
FUND BALANCE, SEPTEMBER 30	<u>\$ 628,998</u>	<u>\$ (37,880)</u>	<u>\$ 591,118</u>

See accompanying notes to financial statements.

DISTRICT HEALTH DEPARTMENT NO. 10
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

Net changes in fund balances-total governmental funds	\$ 54,312
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures however, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.	
Expenditures for capital assets	99,957
Less: current year depreciation	(84,772)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Change in long-term compensated absences	<u>1,801</u>
Change in net assets of governmental activities	\$ <u><u>71,298</u></u>

See accompanying notes to financial statements.

DISTRICT HEALTH DEPARTMENT NO. 10

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2005

NOTE 1: FINANCIAL REPORTING ENTITY - COMPONENT UNIT

District Health Department No. 10, (the Department) is a municipal authority comprising Lake, Newaygo, Oceana, Missaukee, Mecosta, Manistee, Wexford, Crawford, Mason and Kalkaska Counties. It operates under an appointed Board of Health and provides services to its residents in the area of public health. The Health Department is considered a component unit under the oversight authority of the County of Missaukee. As such, it is an integral part of Missaukee County's reporting entity.

In accordance with the provisions of NCGA Statement 3, and subsequently given authoritative status by the Governmental Accounting Standards Board (GASB) in its Statement No. 1, certain other governmental organizations are not considered to be a part of the Health Department's entity for financial reporting purposes. The criteria established by NCGA for determining the various governmental organizations to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financing relationships. On this basis, there are no other governmental organizations' financial statements included in the financial statements of the Health Department.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of District Health Department No. 10 conform to U.S. generally accepted accounting principles as applicable to governmental units. The summary of the more significant accounting policies are presented to assist the reader in interpreting the financial statements and other data in this report.

A. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statements of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government of District Health Department No. 10. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The statement of activities demonstrates the degree to which the direct expenses of a function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

DISTRICT HEALTH DEPARTMENT NO. 10
NOTES TO FINANCIAL STATEMENTS - Continued
SEPTEMBER 30, 2005

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. Measurement Focus, Basis of Accounting and Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and compensated absences, and claims and judgments are recorded only when payment is due.

Interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Health Department.

C. Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

D. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. streets, bridges, and sidewalks), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Health Department as assets with an initial, individual cost of \$1,000 or more and an estimated useful life in excess of one year.

All capital assets are valued at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are recorded at estimated fair market value on the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

DISTRICT HEALTH DEPARTMENT NO. 10
NOTES TO FINANCIAL STATEMENTS - Continued
SEPTEMBER 30, 2005

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D. Capital Assets - Concluded

Depreciation of all exhaustible capital assets used is charged as an expense against their operations in government-wide statements. Accumulated depreciation is reported on the government-wide statement. The straight-line depreciation method is applied over the estimated useful life of fixed assets.

The straight-line depreciation method is used for all depreciable capital assets. The estimated useful lives for capital assets are displayed in the table below:

ASSET CLASS	DEPRECIABLE LIFE
Office equipment	3-7 years

E. Long-Term Liabilities

In the government-wide financial statement, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Bond discounts are reported as other financing uses. Issuances costs, whether or not withheld from the actual debt received, are reported as debt service.

F. Receivables

All receivables are reported at their gross value, and where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

G. Budgets and Budgetary Accounting

The Health Department follows the procedures described below in establishing the budgetary data reflected in the financial statements.

1. On or about each July 1, the Health Department Administrator submits to the Board of Health a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Prior to October 1, the budget is legally enacted through passage of a resolution.
3. Budgeted amounts are as originally adopted, or as amended by the Board of Health as of September 30, 2005. Individual amendments were not material in relation to the original appropriations which were amended. The budget is adopted on a basis consistent with U.S. generally accepted accounting principles which is the modified accrual basis used to reflect actual results, and consists only of those amounts contained in the formal budget approved and amended by the Board of Health.

DISTRICT HEALTH DEPARTMENT NO. 10
NOTES TO FINANCIAL STATEMENTS - Continued
SEPTEMBER 30, 2005

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Concluded

H. Pension Plan

The Health Department participates in the Michigan Municipal Employees' Retirement Systems for all employees hired prior to October 1, 1997. Contributions to the retirement system are made by the Health Department based on current levels of compensation. The Health Department is liable for all past service costs. It is the Health Department's policy to fund pension costs accrued.

All employees hired on or after October 1, 1997 are covered by a defined contribution plan.

I. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Health Department considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Cash equivalents consist of savings accounts and money market accounts.

NOTE 3: DEFERRED COMPENSATION PLAN

The Health Department offers its employees a deferred compensation plan created in accordance with IRC Section 457. The plan, available to all employees, permits them to defer a portion of their current salary until future years. The deferred compensation is not available to the employees until termination, retirement, death or unforeseeable emergency.

The Health Department adopted a new 457 plan document, which incorporates the recent changes to the law governing 457 deferred compensation plans. The most notable change in the plan provides that the employer establish a plan level trust in which all amounts deferred must be placed and held for the exclusive benefit of plan participants and their beneficiaries. As a result of this change, the plan assets are no longer subject to claims of the Health Department's general creditors.

All amounts of compensation deferred under the plan, all property and rights purchased with such amounts, and all income attributable to such amounts, property, or rights are for the exclusive benefit of the employee or their beneficiary.

It is the opinion of the Health Department that the Health Department has no liability for losses under the plan, but does have a duty of care that would be required of an ordinary prudent investor. Therefore, the deferred compensation assets and liability have not been included in the Health Department's fiduciary fund.

DISTRICT HEALTH DEPARTMENT NO. 10
NOTES TO FINANCIAL STATEMENTS - Continued
SEPTEMBER 30, 2005

NOTE 4: DEFINED BENEFIT PENSION PLAN

Plan Description

The Health Department participates in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan that covers all employees of the Health Department employed prior to October 1, 1997. The system provides retirement, disability and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at P.O. Box 850, White Cloud, Michigan, 49349.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by the Health Department Board.

Annual Pension Cost

For year ended December 31, 2004 the Health Department's annual pension cost of \$492,423 for the plan was equal to the Health Department's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2004, using the entry actual age cost method. Significant actuarial assumptions used include (a) a 8 percent investment rate of return, (b) projected salary increases of 4.5 percent per year, and (c) 2.5 percent per year cost of living adjustments. Both (a) and (b) included an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short term volatility over a four year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 36 years.

Trend information.

	FISCAL YEAR ENDED DECEMBER 31,		
	2004	2003	2002
Annual pension cost	\$ 492,423	\$ 493,058	\$ 788,759
Percentage of APC contributed	100%	100%	100%
Net pension obligation			
Actuarial value of assets	12,471,605	12,082,251	11,462,656
Actuarial accrued liability (entry age)	18,759,839	18,453,157	17,007,103
Unfunded actuarial accrued liability	6,288,234	6,370,906	5,544,447
Funded ratio	66%	65%	67%
Covered payroll	1,961,698	2,000,396	2,304,042
UAAL as a percentage of covered payroll	321%	318%	241%

DISTRICT HEALTH DEPARTMENT NO. 10
NOTES TO FINANCIAL STATEMENTS - Continued
SEPTEMBER 30, 2005

NOTE 5: DEFINED CONTRIBUTION PLAN

The Health Department provides pension benefits to all of its full-time employees employed on or after October 1, 1998 through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by the Health Department Board, the Health Department contributes 5 percent of employees' gross earnings and employees contribute up to 3 percent of earnings. The Health Department also matches the employee contribution. In accordance with these requirements, the Health Department contributed \$297,077 during the current year, and employees contributed \$111,192.

NOTE 6: RISK MANAGEMENT

The Health Department is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. The Health Department has purchased commercial insurance for employee medical benefit claims, participants in the Michigan Municipal Risk Management Authority (risk pool) for claims relating to property loss, torts, errors and omissions, and personal injuries, and purchases insurance from Michigan Physicians Mutual Liability Company for claims relating to workers' compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal Risk Management Authority (risk pool) program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority, the Authority uses the premiums to pay claims up to the retention limits, the ultimate liability for those claims remains with the Health Department. As of September 30, 2005, the Health Department estimates that its funds on deposit with the Authority are sufficient to cover any outstanding claims. Accordingly, no liability has been recorded.

NOTE 7: CASH

Deposits

Deposits are carried at cost. Deposits of the Health Department are at various banks in the name of the Health Department or held by the County of Missaukee. Act 217, P.A. 1982, authorizes the units of local government to deposit in the accounts of federally insured banks, insured credit unions, and savings and loan associations.

At September 30, 2005, the carrying amount of deposits was \$680,761. The bank balance was \$975,256 the amount of \$208,134 was insured by the Federal Deposit Insurance Corporation.

The Health Department has adopted the formal investment policy of Missaukee County – as required by Act 201, P.A. 1943 as amended – that complies with state law. The Health Department has followed this policy.

DISTRICT HEALTH DEPARTMENT NO. 10
NOTES TO FINANCIAL STATEMENTS - Continued
SEPTEMBER 30, 2005

NOTE 8: CAPITAL ASSETS

A summary of changes in the Health Department's capital assets is as follows:

	OCTOBER 1, 2004	ADDITIONS	DELETIONS	SEPTEMBER 30, 2005
Equipment	\$ 684,068	\$ 99,957	\$	\$ 784,025
Less: Accumulated depreciation	<u>297,129</u>	<u>84,772</u>	<u> </u>	<u>382,901</u>
Net Capital Assets	<u>\$ 385,939</u>	<u>\$ 15,185</u>	<u>\$</u>	<u>\$ 401,124</u>

NOTE 9: LONG-TERM DEBT

The following is a summary of the outstanding debt of the Health Department at September 30, 2005:

Compensated Absences

The compensated absences balance represents an estimate of benefits which Health Department employees have a vested right to receive upon termination and/or retirement from employment in accordance with policies established.

Balance, October 1, 2004	\$ 440,805
Changes	(<u>1,801</u>)
Balance, September 30, 2005	<u>\$ 439,004</u>

NOTE 10: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Health Department's actual expenditures and budgeted expenditures for the operating fund has been shown on an activity basis. The approved budget of the Department for this budgetary fund was adopted on an activity basis.

During the year ended September 30, 2005, the Board did incur expenditures in excess of the amounts appropriated as shown within the financial statements.

DISTRICT HEALTH DEPARTMENT NO. 10
NOTES TO FINANCIAL STATEMENTS - Concluded
SEPTEMBER 30, 2005

NOTE 11: OPERATING LEASES

The Department conducts a substantial portion of its operations in facilities rented under agreements classified as operating leases. Rental expenses under these leases for the period ended September 30, 2005 was \$1,181,183.

The following is a schedule by years of minimum future rentals on non-cancelable leases in excess of one year as of September 30, 2005:

YEAR ENDING	AMOUNT
2006	\$ 1,156,373
2007	29,256
2008	29,256
2009	29,256
2010	29,256
2011-2015	146,280
2016-2020	75,578

NOTE 12: ALTERNATIVE PENSION PLAN

The employees of District Health Department No. 10 have elected not to contribute to and be covered by the Federal Insurance Contributions Act (FICA). Instead, a contribution equal to the FICA rate is made to an alternative pension plan.

REQUIRED SUPPLEMENTARY INFORMATION

DISTRICT HEALTH DEPARTMENT NO. 10
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
DISTRICT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	<u>BUDGETED AMOUNTS</u>			VARIANCE FAVORABLE (UNFAVORABLE)
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	
REVENUES				
Licenses and permits	\$ 995,649	\$ 998,824	\$ 1,045,963	\$ 47,139
Federal and state grants	5,315,889	5,732,724	5,777,208	44,484
Contributions from local units	2,519,999	2,640,886	2,640,859	(27)
Charges for services	2,509,664	2,601,213	2,452,746	(148,467)
Interest	4,000	4,000	6,559	2,559
Miscellaneous	1,000	13,000	18,523	5,523
	<u>11,346,201</u>	<u>11,990,647</u>	<u>11,941,858</u>	<u>(48,789)</u>
TOTAL REVENUES				
EXPENDITURES				
Salaries, wages and fringe benefits	8,568,382	8,810,259	8,682,465	127,794
Board of Health	29,000	29,000	27,116	1,884
Office supplies and expenses	397,838	520,216	537,273	(17,057)
Contractual services	519,797	662,146	685,328	(23,182)
Communications	179,887	169,507	174,134	(4,627)
Travel	328,255	358,475	347,180	11,295
Insurance and bonds	107,456	114,044	113,278	766
Maintenance and repairs	26,000	26,144	33,381	(7,237)
Rent expense	1,059,591	1,178,270	1,181,183	(2,913)
Educational training	30,645	31,073	18,621	12,452
Capital outlay	99,350	91,513	87,587	3,926
	<u>11,346,201</u>	<u>11,990,647</u>	<u>11,887,546</u>	<u>103,101</u>
TOTAL EXPENDITURES				
EXCESS OF REVENUES OVER EXPENDITURES			54,312	54,312
FUND BALANCE, OCTOBER 1	<u>574,686</u>	<u>574,686</u>	<u>574,686</u>	
FUND BALANCE, SEPTEMBER 30	<u>\$ 574,686</u>	<u>\$ 574,686</u>	<u>\$ 628,998</u>	<u>\$ 54,312</u>

SUPPLEMENTARY INFORMATION

DISTRICT HEALTH DEPARTMENT NO. 10

COMBINING STATEMENT OF REVENUES AND EXPENDITURES BY PROGRAM

FOR THE YEAR ENDED SEPTEMBER 30, 2005

	AGENCY	ENVIRONMENTAL HEALTH	PERSONAL HEALTH	M.S.S.
REVENUES				
Licenses and permits	\$	\$ 1,045,963	\$	\$
Federal and state grants		940,155	334,445	43,116
Contributions from local units	2,640,859			
Charges for services	135,912	125,125	41,109	568,248
Interest	6,559			
Other	11,992	5,158		
	<u>2,795,322</u>	<u>2,116,401</u>	<u>375,554</u>	<u>611,364</u>
TOTAL REVENUES				
EXPENDITURES				
Salaries, wages and fringe benefits	1,177,037	1,752,328	506,468	551,757
Board of health	27,116			
Office supplies and expenses	56,051	33,161	9,513	7,059
Contractual services	153,206	64,028	94	108,846
Communications	22,881	29,259	8,060	9,909
Travel	34,120	111,804	13,058	24,310
Insurance and bonds	16,096	22,544	6,541	6,170
Maintenance and repairs	4,987	6,352	1,630	1,988
Rent expense	584,273	137,956	34,486	40,848
Educational training	5,635	1,495	985	90
Capital outlay	54,694	1,389		
	<u>2,136,096</u>	<u>2,160,316</u>	<u>580,835</u>	<u>750,977</u>
TOTAL EXPENDITURES				
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ <u>659,226</u>	\$ <u>(43,915)</u>	\$ <u>(205,281)</u>	\$ <u>(139,613)</u>

I.S.S.	WIC	MCIR	BREAST AND CERVICAL	HEALTH PROMOTION	AIDS COUNSELING & TESTING	WISE WOMAN
\$	\$	\$	\$	\$	\$	\$
47,907	1,025,427	175,000	224,550	12,378	8,967	135,000
602,384	622		94,260	41,271		94,796
	1,373					
<u>650,291</u>	<u>1,027,422</u>	<u>175,000</u>	<u>318,810</u>	<u>53,649</u>	<u>8,967</u>	<u>229,796</u>
446,982	836,863	108,022	240,093	122,728	10,324	175,999
6,317	21,705	1,305	8,812	18,588	495	33,923
66,352	4,716	20,250	23,125	2,930		
8,040	30,184	1,745	8,293	2,754	119	5,307
28,826	23,740	3,028	8,342	6,510	189	8,580
4,756	13,130	1,535	3,326	1,790	172	1,993
1,694	3,715	396	931	451	25	561
34,905	79,056	8,520	20,163	10,910	465	12,086
	3,361	200	275	335		
						1,264
<u>597,872</u>	<u>1,016,470</u>	<u>145,001</u>	<u>313,360</u>	<u>166,996</u>	<u>11,789</u>	<u>239,713</u>
<u>\$ 52,419</u>	<u>\$ 10,952</u>	<u>\$ 29,999</u>	<u>\$ 5,450</u>	<u>\$ (113,347)</u>	<u>\$ (2,822)</u>	<u>\$ (9,917)</u>

DISTRICT HEALTH DEPARTMENT NO. 10

COMBINING STATEMENT OF REVENUES AND EXPENDITURES BY PROGRAM - Continued

FOR THE YEAR ENDED SEPTEMBER 30, 2005

	FAMILY PLANNING	CSHCS LOCAL BASED SERVICES	IMMUNIZATION ACTION GRANT	TOBACCO COALITION
REVENUES				
Licenses and permits	\$	\$	\$	\$
Federal and state grants	380,761	184,571	580,746	85,000
Contributions from local units				
Charges for services	150,863		387,417	
Interest				
Other				
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL REVENUES	531,624	184,571	968,163	85,000
	<hr/>	<hr/>	<hr/>	<hr/>
EXPENDITURES				
Salaries, wages and fringe benefits	419,761	149,167	581,777	58,831
Board of health				
Office supplies and expenses	59,352	1,948	192,211	1,141
Contractual services	61,009			
Communications	7,728	2,539	10,776	978
Travel	14,377	2,992	6,380	2,168
Insurance and bonds	5,248	1,771	9,009	822
Maintenance and repairs	1,703	584	2,453	223
Rent expense	32,444	13,092	52,824	4,758
Educational training	1,160	160	1,300	40
Capital outlay			5,459	
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL EXPENDITURES	602,782	172,253	862,189	68,961
	<hr/>	<hr/>	<hr/>	<hr/>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (71,158)	\$ 12,318	\$ 105,974	\$ 16,039
	<hr/>	<hr/>	<hr/>	<hr/>

HIV RYAN WHITE TITLE II	ABSTINENCE	HEAD LICE GRANT MECOSTA	HEARING AND VISION	LEAD POISONING	HOPWA	TENCON
\$ 75,000	\$ 170,000	\$ 7,047	\$ 206,449	\$ 10,000	\$ 77,013	\$ 123,451
<u>75,000</u>	<u>170,000</u>	<u>7,047</u>	<u>206,449</u>	<u>10,000</u>	<u>77,013</u>	<u>123,451</u>
56,358	111,624	5,110	184,310	7,986	37,835	98,909
699	6,786	1,029	3,281	567	769	1,633
6,564	36,606	47			27,320	657
962	2,045	83	4,023	99	542	1,723
3,243	3,820	102	8,381	271	537	5,558
861	1,698	58	3,161	89	371	818
218	454	20	1,326	22	125	366
4,631	9,886	428	20,079	475	1,584	7,951
	27				1,898	949
<u>73,536</u>	<u>172,946</u>	<u>6,877</u>	<u>224,561</u>	<u>9,509</u>	<u>70,981</u>	<u>118,564</u>
\$ <u><u>1,464</u></u>	\$ <u><u>(2,946)</u></u>	\$ <u><u>170</u></u>	\$ <u><u>(18,112)</u></u>	\$ <u><u>491</u></u>	\$ <u><u>6,032</u></u>	\$ <u><u>4,887</u></u>

DISTRICT HEALTH DEPARTMENT NO. 10

COMBINING STATEMENT OF REVENUES AND EXPENDITURES BY PROGRAM - Continued

FOR THE YEAR ENDED SEPTEMBER 30, 2005

	TOBACCO FOUNDATIONS	COLON CANCER	COMMUNI- CABLE DISEASE	0-5 GRANT NEWAYGO
REVENUES				
Licenses and permits	\$	\$	\$	\$
Federal and state grants		35,500		
Contributions from local units				
Charges for services	12,760			90,779
Interest				
Other				
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL REVENUES	12,760	35,500		90,779
EXPENDITURES				
Salaries, wages and fringe benefits	8,789	28,464	203,648	40,084
Board of health				
Office supplies and expenses	1,708	1,388	8,136	969
Contractual services				14,050
Communications	695	365	2,938	444
Travel	402	1,582	3,408	4,231
Insurance and bonds	83	205	2,248	461
Maintenance and repairs	32	84	672	99
Rent expense	712	1,800	14,799	2,071
Educational training		433		970
Capital outlay				
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL EXPENDITURES	12,421	34,321	235,849	63,379
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ <u>339</u>	\$ <u>1,179</u>	\$ <u>(235,849)</u>	\$ <u>27,400</u>

0-3 GRANT LAKE, MASON OCEANA	CANCER PREVENTION	LEAD HEMOGLOBIN	EMERGENCY PREPAREDNESS	HEAD LICE GRANT OCEANA/ MASON	CVD	MEDICAID OUTREACH
\$ 100,000	\$ 10,000	\$ 25,149	\$ 295,508	\$ 22,123	\$ 56,000	\$ 252,183
<u>100,000</u>	<u>10,000</u>	<u>25,149</u>	<u>295,508</u>	<u>22,123</u>	<u>56,000</u>	<u>252,183</u>
90,753	6,400	30,081	202,727	17,382	26,670	310,200
1,550	67	747	2,474	797	14,213	2,091
	2,000		13,520	916		
2,593		629	2,897	372	377	2,912
6,837	485	332	10,946	2,805	1,970	52
1,361		480	2,302	296	106	2,745
363		145	660	84	89	658
7,852		3,140	14,427	1,854	1,902	13,794
975			620			
			15,894		4,190	
<u>112,284</u>	<u>8,952</u>	<u>35,554</u>	<u>266,467</u>	<u>24,506</u>	<u>49,517</u>	<u>332,452</u>
\$ <u>(12,284)</u>	\$ <u>1,048</u>	\$ <u>(10,405)</u>	\$ <u>29,041</u>	\$ <u>(2,383)</u>	\$ <u>6,483</u>	\$ <u>(80,269)</u>

DISTRICT HEALTH DEPARTMENT NO. 10

COMBINING STATEMENT OF REVENUES AND EXPENDITURES BY PROGRAM - Concluded

FOR THE YEAR ENDED SEPTEMBER 30, 2005

	MATERNAL CHILD HEALTH	NMSAS	GIRLS ON THE RUN	IMMS FIELD REP	TOTAL
REVENUES					
Licenses and permits	\$	\$	\$	\$	\$ 1,045,963
Federal and state grants	60,000		8,568	97,390	5,777,208
Contributions from local units					2,640,859
Charges for services		7,704	67,300		2,452,746
Interest					6,559
Other					18,523
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL REVENUES	60,000	7,704	75,868	97,390	11,941,858
EXPENDITURES					
Salaries, wages and fringe benefits	36,358	5,455	35,185		8,682,465
Board of health					27,116
Office supplies and expenses	1,897	53	34,150	688	537,273
Contractual services				79,092	685,328
Communications	1,373	69	421		174,134
Travel	1,069	431	2,294		347,180
Insurance and bonds	452	36	544		113,278
Maintenance and repairs	123	16	132		33,381
Rent expense	2,666	370	2,776	1,200	1,181,183
Educational training	560				18,621
Capital outlay				1,850	87,587
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL EXPENDITURES	44,498	6,430	75,502	82,830	11,887,546
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ <u>15,502</u>	\$ <u>1,274</u>	\$ <u>366</u>	\$ <u>14,560</u>	\$ <u>54,312</u>



Layton & Richardson, P.C.

Certified Public Accountants

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Health
District Health Department No. 10
White Cloud, Michigan

1000 Coolidge Road
East Lansing, MI 48823

(517) 332-1900
(517) 332-2082 fax
Info@LNRCPA.com

Merrick A. Richardson, CPA
Principal
Rick@LNRCPA.com

Vickie L. Crouch, CPA, CGFM
Principal
Vickie@LNRCPA.com

Stephen D. Plumb, JD, CPA
Principal
Steve@LNRCPA.COM

David Layton, CPA
DaveLayton@LNRCPA.com

We have audited the financial statements of the governmental activities of District Health Department No. 10, as of and for the year ended September 30, 2005, which collectively comprise District Health Department No. 10's basic financial statements and have issued our report thereon dated November 29, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered District Health Department No. 10's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

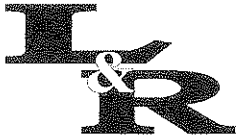
As part of obtaining reasonable assurance about whether District Health Department No. 10's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters that we reported to management of District Health Department No. 10, in a separate letter dated November 29, 2005.

This report is intended solely for the information and use of the management, Board of Health, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Dayton & Richardson, P.C.
Certified Public Accountants

East Lansing, Michigan
November 29, 2005



Layton & Richardson, P.C.

Certified Public Accountants

LETTER OF COMMENTS AND RECOMMENDATIONS

To the Board of Health
District Health Department No. 10
White Cloud, Michigan

1000 Coolidge Road
East Lansing, MI 48823

(517) 332-1900
(517) 332-2082 fax
Info@LNRCPA.com

Merrick A. Richardson, CPA
Principal
Rick@LNRCPA.com

Vickie L. Crouch, CPA, CGFM
Principal
Vickie@LNRCPA.com

Stephen D. Plumb, JD, CPA
Principal
Steve@LNRCPA.COM

David Layton, CPA
DaveLayton@LNRCPA.com

In planning and performing our audit of the component unit financial statements of DISTRICT HEALTH DEPARTMENT NO. 10 for the year ended September 30, 2005, we considered the Department's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the component unit financial statements and not to provide assurance on the internal control structure.

However, during our audit, we became aware of matters that are an opportunity for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. We have reported on the Department's internal control structure in our report dated November 29, 2005. This letter does not affect our report dated November 29, 2005, on the component unit financial statements of District Health Department No. 10.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Department personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Sincerely,

Certified Public Accountants

East Lansing, Michigan
November 29, 2005

DISTRICT HEALTH DEPARTMENT NO. 10

ACCOUNTING MEMORANDUM

SEPTEMBER 30, 2005

PRIOR YEAR RECOMMENDATIONS

CASH RECEIPTS

Finding

The endorsement stamp does not include the bank name or account number.

Recommendation

We recommend that this information be on the stamp to ensure that all money is being deposited into the correct account. **This has been implemented.**

ACCOUNTS PAYABLE

Finding

There was not a separate listing of the year end accounts payable.

Recommendation

We recommend that a computer listing of invoices be prepared on a monthly basis that ties to the general ledger. **This has not been implemented.**

Finding

Not all pages of invoices are being cancelled when paid.

Recommendation

We recommend that all pages of an invoice be cancelled with a "paid" stamp or initials and date so if they are separated they are not accidentally double paid. **This has been implemented.**

CURRENT YEAR RECOMMENDATIONS

Finding

The Health Department has implemented a new receipting system. We noted that in several instances, void receipts were not included in the packet and in some instances, they were completely deleted from the program.

Recommendation

We recommend that all receipts be printed out to ensure the numerical accuracy of all receipts. **Management response: Once all ten counties were put into the same database, these problems no longer existed.**

DISTRICT HEALTH DEPARTMENT NO. 10
WHITE CLOUD, MICHIGAN
SINGLE AUDIT REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2005



Layton & Richardson, P.C.
Certified Public Accountants

CONTENTS

	PAGE
REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	1-2
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE	3
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	4
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	5



Layton & Richardson, P.C.

Certified Public Accountants

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Health
District Health Department No. 10
White Cloud, Michigan

Compliance

We have audited the compliance of DISTRICT HEALTH DEPARTMENT NO. 10 with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that are applicable to each of its major federal programs for the year ended September 30, 2005. District Health Department No. 10's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of District Health Department No. 10's management. Our responsibility is to express an opinion on District Health Department No. 10's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining on a test basis, evidence about District Health Department No. 10's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on District Health Department No. 10's compliance with those requirements.

In our opinion, District Health Department No. 10 complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2005.

Internal Control Over Compliance

The management of District Health Department No. 10 is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

1000 Coolidge Road
East Lansing, MI 48823

(517) 332-1900
(517) 332-2082 fax
Info@LNRCPA.com

Merrick A. Richardson, CPA
Principal
Rick@LNRCPA.com

Vickie L. Crouch, CPA, CGFM
Principal
Vickie@LNRCPA.com

Stephen D. Plumb, JD, CPA
Principal
Steve@LNRCPA.COM

David Layton, CPA
DaveLayton@LNRCPA.com

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of District Health Department No. 10 as of and for the year ended September 30, 2005, our report thereon dated November 29, 2005. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended for the information of the management, the Board of Health and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


Certified Public Accountants

East Lansing, Michigan
November 29, 2005

DISTRICT HEALTH DEPARTMENT NO. 10
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2005

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	REVENUE RECOGNIZED	EXPENDITURES
U.S. Department of Health and Human Services			
Passed-through Michigan Department of Community Health:			
Maternal and child health	93.994	\$ 211,400	\$ 211,400
Bioterrorism	93.283	295,236	295,236
Immunization	93.268	1,370,771	1,370,771
Crippled Children	93.778	31,525	31,525
Family Planning	93.994	47,138	47,138
Family Planning	93.217	102,220	102,220
Breast and cervical cancer	93.283	223,750	223,750
Wise Women Coordination	93.283	107,265	107,265
Abstinence	93.235	170,000	170,000
Passed-through Family Independence Agency:			
Children's Trust Fund	93.590	22,378	22,378
Passed through Kent County Health Department			
0-3 Prevention	93.558	100,000	100,000
U.S. Department of Agriculture:			
Passed-through Michigan Department of Public Health:			
Supplemental Food Program for Women, Infants and Children	10.558	1,898	1,898
	10.557	1,023,529	1,023,529
Beach Monitoring	66.472	22,558	22,558
HOPWA	14.241	<u>77,013</u>	<u>77,013</u>
		<u>\$ 3,806,681</u>	<u>\$ 3,806,681</u>

DISTRICT HEALTH DEPARTMENT NO. 10
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

NOTE 1: BASIS OF PRESENTATION

District Health Department No. 10 as a governmental unit reports on the accrual basis of accounting for financial statement presentation in accordance with U.S. generally accepted accounting principles for governments.

The Schedule of Expenditures of Federal Awards has been reported on the modified accrual basis of accounting which is in accordance with U.S. generally accepted accounting principles for governmental entities. The Schedule of Expenditures of Federal Awards has been presented in this manner because governmental units (federal, state and local) are the predominant users of the Schedule and all reports to them are filed using the modified accrual basis of accounting. For the year ended September 30, 2005 there are no reporting differences between the accounting methods for federal programs.

DISTRICT HEALTH DEPARTMENT NO. 10
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the component unit financial statements of District Health Department No. 10.
2. No reportable conditions relating to the audit of the financial statements are reported.
3. No instances of noncompliance material to the financial statements of District Health Department No. 10 were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award programs are reported.
5. The auditor's report on compliance for the major federal award programs for District Health Department No. 10 expresses an unqualified opinion.
6. There are no audit findings relative to the major federal award programs for District Health Department No. 10.
7. The programs tested as major programs included: Supplemental Food Program for Women, Infants and Children CFDA No. 10.557 and U.S. Department of Health and Human Services CFDA No. 93.268.
8. The threshold for distinguishing Types A and B programs was \$300,000.00.
9. District Health Department No. 10 was determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

None.

C. FINDINGS AND QUESTIONED COSTS -- MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.